

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

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FM AMCONSUL RIO DE JANEIRO

TO AMEMBASSY BRASILIA IMMEDIATE

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LIMITED OFFICIAL USE RIO DE JANEIRO 1152

E. O. 11652: N/A

TAGS: OVIP, BR

SUBJECT: RECENT TRENDS IN BRAZIL'S FOREIGN TRADE

1. BEGIN SUMMARY. ACCORDING TO CACEX TRADE DATA NOT YET RELEASED FOR PUBLICATION, BRAZIL'S EXPORTS DURING THE FIRST TWO MONTHS OF 1974 TOTALED US \$909.9 MILLION, AN INCREASE OF 26.9 PERCENT OVER THE SAME PERIOD OF 1973. THIS INCREASE WAS ONLY POSSIBLE BECAUSE OF INCREASES IN WORLD COMMODITY PRICES AS EXPORT TONNAGES OF NEARLY ALL CATEGORIES OF AGRICULTURAL COMMODITIES AND INDUSTRIAL RAW MATERIALS DECLINED CONSIDERABLY FROM THE TONNAGES OF THE FIRST TWO MONTHS OF 1973. MEANWHILE, IMPORT DEMAND, AS INDICATED BY INCREASES IN THE VALUE OF IMPORT PERMITS ISSUED IN JANUARY AND FEBRUARY, HAS MORE THAN DOUBLED OVER LAST YEAR. END SUMMARY

2. COMPARING THE FIRST TWO MONTHS OF 1974 WITH THE WITH THE SAME PERIOD OF 1973, EXPORT TONNAGE DECLINES OF 60 TO 90 PERCENT WERE REGISTERED IN WOOL, CHILLED AND FROZEN BEEF, SOYBEAN CAKE AND BRAN, PIG IRON, IRON
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AND STEEL PRODUCTS, AND PINE LUMBER. TONNAGE DECLINES

OF OVER 40 PERCENT WERE REGISTERED FOR HIDES AND SKINS, AND FOR ORANGE JUICE, WHILE DEMERARA SUGAR WAS DOWN NEARLY 20 PERCENT, COCA BEANS 14 PERCENT, GREEN COFFEE 5.2 PERCENT, PROCESSED COFFEE 6.5 PERCENT, TOBACCO LEAVES 7.2 PERCENT, AND IRON ORE 8.4 PERCENT. TONNAGE SHIPMENTS INCREASED FROM CRYSTAL SUGAR, MANGANESE ORE, SISAL, RAW TIN, AND PROCESSED BEEF.

3. EXPORTS OF FINISHED MANUFACTURES INCREASED IN VALUE BY NEARLY 50 PERCENT OVER THE FIRST TWO MONTHS OF 1973; HOWEVER, EXCEPT FOR COTTON TEXTILES AND SHOES, EXPORTS OF FINISHED MANUFACTURES DECLINED SLIGHTLY FROM THE LAST TWO MONTHS OF 1973, INDICATING A CONSIDERABLE SLOWDOWN IN THE RATE OF GROWTH. SHOE EXPORTS TOTALED \$21.9 MILLION FOR THE FIRST TWO MONTHS OF 1974, VERSUS \$14.7 MILLION FOR THE SAME PERIOD OF 1973 AND \$10.7 MILLION FOR THE LAST TWO MONTHS OF 1973.

4. DATA FOR ACTUAL IMPORTS ARE NOT YET AVAILABLE FOR 1974, BUT IMPORT PERMITS ISSUED DURING THE FIRST TWO MONTHS OF 1974 COVERED POTENTIAL IMPORTS OF \$1,729 MILLION, AS COMPARED TO \$706 MILLION FOR THE FIRST TWO MONTHS OF 1973, AND INCREASE OF 145 PERCENT. ACCORDING TO CENTRAL BANK SOURCES, IMPORT PERMITS ISSUED IN JANUARY AND FEBRUARY INCREASED OVER THE SAME TWO - MONTH PERIOD OF LAST YEAR AS FOLLOWS FOR SELECTED ITEMS: INORGANIC CHEMICALS 120 PERCENT, ORGANIC CHEMICALS 284 PERCENT, FERTILIZERS 430 PERCENT, PLASTIC RESINS 370 PERCENT, IRON AND STEEL PRODUCTS 148 PERCENT, MACHINERY NON-ELECTRIC 170 PERCENT, MACHINERY 176 PERCENT.

5A. COMMENT: ALTHOUGH IT IS TOO EARLY TO DRAW ANY FIRM CONCLUSIONS ABOUT BRAZIL'S FOREIGN TRADE PERFORMANCE FOR THE BALANCE OF 1974, BRAZILIAN GOVERNMENT AUTHORITIES ARE EVIDENTLY CONCERNED ABOUT RECENT TRENDS IN BRAZIL'S FOREIGN TRADE, PARTICULARLY IN THE FACE OF HIGH IMPORT DEMAND. CENTRAL BANK SOURCES STATE THAT TRADE DATA REPORT WAS PREPARED EARLIER THIS MONTH ON A RUSH BASIS FOR THE FINANCE MINISTRY. SOME DETAILS OF THE REPORT WERE LEAKED TO THE FOLHA DE SAOPPAULO, WHICH PUBLISHED LIMITED OFFICIAL USE

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THEM IN PART IN AN ERRORNEOUS FASHION ON MARCH 23. IN THE ARTICLE, IMPORT PERMITS WERE EQUATED WITH ACTUAL IMPORTS. THE ARTICLE DID NOT APPEAR IN ANY OTHER SAO PAULO OR RIO DE JANEIRO NEWSPAPERS.

5B. THE 26.9 PERCENT INCREASE IN THE VALUE OF EXPORTS OVER LAST YEAR IS CONSIDERABLY UNDER THE 60 PERCENT VALUE INCREASE REGISTERED IN THE FIRST TWO MONTHS

OF 1973 OVER THE SAME PERIOD OF 1972. THE SLACKENED PACE SO FAR THIS YEAR IS PARTIALLY DUE TO THE LIMITATIONS PLACED ON THE EXPORT OF COMMODITIES IN SHORT SUPPLY. REASONS FOR THE DROP IN IRON ORE EXPORTS, WHICH DECLINED NEARLY \$20 MILLION FROM THE LAST TWO MONTHS OF 1973, ARE NOT YET KNOWN. SEASONAL EXPORTS OF IMPORTANT AGRICULTURAL COMMODITIES WILL REACH A HIGH VOLUME LATER IN THE YEAR AND ARE EXPECTED TO QUICKEN THE PACE OF TOTAL EXPORTS CONSIDERABLY, ALTHOUGH PERHAPS NOT AS MUCH AS HOPED FOR IN VIEW OF ADVERSE WEATHER CONDITIONS IN SOME AREAS AND THE INCREASED INTERNAL DEMAND.

5C. ON THE IMPORT SIDE, THERE IS THE GOOD POSSIBILITY THAT MANY OF THE 120-DAY IMPORT PERMITS ISSUED WILL NOT BE UTILIZED. MANY IMPORTERS ARE NO DOUBT ON SHOPPING EXPEDITIONS FOR INDUSTRIAL RAW MATERIALS AND WANT TO BE PREPARED FOR MAKING QUICK TRANSACTIONS. YET THERE IS INDICATION THAT BRAZIL'S IMPORTS HAVE ACCELERATED RAPIDLY IN THE LAST FEW MONTHS. U.S. DEPARTMENT OF COMMERCE EXPORT FIGURES TEND TO SUBSTANTIATE THIS. U.S. EXPORTS TO BRAZIL AVERAGED \$204 MILLION DURING THE LAST FIVE MONTHS OF 1973, COMPARED TO AN AVERAGE OF \$128 MILLION A MONTH DURING THE FIRST SEVEN MONTHS OF 1973. GIVEN THE DEPARTURE-ARRIVAL TIME LAG FOR THESE EXPORTS, BRAZIL'S IMPORTS SO FAR IN 1974 MUST BE WELL ABOVE EXPORT LEVELS. THE LATER SPURT IN U.S. EXPORTS HAS ALSO MEANT THAT \$483 MILLION OF BRAZIL'S RECORD TRADE DEFICIT OF \$733 MILLION WITH THE U.S. LAST YEAR WAS ACCUMULATED IN THE LAST FIVE MONTHS OF 1973. GIVE
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